



MCI Telecommunications
Corporation
1801 Pennsylvania Avenue, NW
Washington, DC 20006
202 872 1600

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

January 31, 1994

ORIGINAL

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, DC 20554

Re: RM-8408/ In the Matter of Petition of American Telephone and
Telegraph Company for Rulemaking on Universal Service Fund

Dear Mr. Caton:

Enclosed herewith for filing are the original and four (4) copies of MCI Telecommunications Corporation's Reply Comments in the above-captioned proceeding.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Reply Comments furnished for such purpose and remit same to the bearer.

Sincerely yours,

Elizabeth Dickerson

Elizabeth Dickerson
Manager, Federal Regulatory

Enclosure
ED/ms

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Before the
FEDERAL COMMUNICATIONS COMMISSION
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Petition of American)
Telephone and Telegraph)
Company for Rulemaking on)
Universal Service Fund)

RM-8408

REPLY COMMENTS

MCI Telecommunications Corporation ("MCI") hereby submits its reply comments in response to comments filed on January 14, 1994, in the above-captioned proceeding that was initiated on November 24, 1993, when AT&T filed its second petition seeking changes to the funding mechanism of the Universal Service Fund ("USF").¹

MCI hereby supports the Comments filed by Sprint Communications in which Sprint urges the Commission to deny AT&T's petition.² AT&T's request for a separate proceeding to establish a permanent replacement funding mechanism for the current USF rules should be rejected because "[n]o apparent purpose would be served by the establishment of a separate rulemaking to address USF cost allocation 'concurrently' or 'simultaneously'

¹ The Commission has not yet taken action on AT&T's original petition on this matter, filed August 8, 1989.

² Comments of Sprint, p. 14.

with the other issues of the comprehensive investigation."³ Also, AT&T's request for adoption of "a temporary, revenue-based method for allocating USF costs" simultaneous with adoption of "the temporary USF cap recommended by the Federal-State Joint Board in accordance with the Commission's September 14, 1993 Notice of Proposed Rulemaking"⁴ should be rejected as moot since the Commission already has adopted interim rules capping the USF. As Sprint correctly noted, the timing of AT&T's request for relief "in connection with the interim proceeding was hardly realistic."⁵

Many parties commenting in the instant proceeding agree that the funding of the USF should be resolved in a broader proceeding than the one AT&T requests.⁶ Specifically, U S West believes that "the Commission should address AT&T's allocation issue in the upcoming permanent rulemaking on the USF."⁷ NECA also contends that "the Commission should consider USF billing issues within the context of its planned comprehensive review."⁸

³ Comments of Sprint, p. 3.

⁴ Petition of AT&T, p. 1.

⁵ Comments of Sprint, p. 6.

⁶ See, e.g., Comments of National Rural Telephone Association, p. 1; National Telephone Cooperative Association, p. 2; and General Communications, Inc., p. 1.

⁷ Comments of U S West, p. 2.

⁸ Comments of NECA, p. 2.

MCI submits that it would represent an unnecessary diversion of Commission resources to establish a separate proceeding to examine the funding mechanism of the USF when the Commission already has announced its intention to initiate a "rulemaking on the full panoply of USF issues."⁹ The matter AT&T raises is but a minor segment of the entire USF. The USF itself is but a single facet of the broader question of identifying the subsidies existing in the current LEC rate structures, and determining whether, how, to what extent, and by whom they should be funded in the future. AT&T's request is particularly superfluous given the likelihood that any rulemaking or notice of inquiry¹⁰ into the matter of universal service subsidies likely will turn the current Part 69 USF rules on their head. Why spend money on the engine of a car that has been running perfectly well for years, just as you are about to start shopping for a new means of transportation?

Further, AT&T's request for adoption of an interim USF funding mechanism based on revenues rather than presubscribed lines "concurrent" or "simultaneous" with the interim rulemaking recently concluded is irrelevant since

⁹ NPRM, at para. 15.

¹⁰ A notice of inquiry is a more appropriate vehicle for examining this matter than a rulemaking. "An NOI would allow the Commission to collect essential data on the costs associated with the provision of universal service. The Commission should gain a better understanding of the total industry costs for universal service before proposing a revised set of universal service support rules, and making a determination about whether those proposed rules require Joint Board action." (In the Matter of Inquiry into Policies and Programs to Assure Universal Telephone Service in a Competitive Market Environment, RM-8388, MCI Reply Comments, January 3, 1994, p. 3.

that proceeding has been concluded. Such an interim approach, however, should not be considered at all. U S West is correct in warning that focusing on such provisional measures runs the risk of "delay[ing] the progress and completion of the permanent USF rulemaking or of any of the other major initiatives ... currently before the Commission."¹¹ Further, the Joint Board historically has recommended and the Commission has adopted interim rules that retain the status quo rather than make significant changes in existing rules, when a broader scale modification to the Commission's policy is under consideration. For example, the Joint Board recommended (and the Commission adopted) "freezing of the subscriber plant factor ... pending consideration and prescription of a new method for allocating non-traffic-sensitive local exchange plant." Also, when it capped the current USF burden, the Joint Board intended to "ameliorate potentially disruptive effects upon those LECs subject to shifts in jurisdictional revenue requirements."¹² In both of these cases the interim rules maintained the effect of the current rules to eliminate drastic shifts in costs or obligations when the final rules were implemented. Since AT&T's request for interim relief carries with it no such need, the Commission should decline to fashion the interim rules AT&T requests.

¹¹ US West Comments, p. 2 (f.n. omitted).

¹² In the Matter of Amendment of Part 36 of The Commission's Rules and Establishment of a Joint Board, CC Docket No. 80-286, Recommended Decision, at para. 27.

In sum, AT&T has offered no explanation why, after having refused to consider this same issue that it put on the table nearly five years ago, the Commission should expend resources to confront it now, especially when the Commission has expressed its intention to embark upon a proceeding in which the issue surely will be addressed.

For all the foregoing reasons, MCI urges the Commission to reject AT&T's petition.

Respectfully submitted,
MCI TELECOMMUNICATIONS
CORPORATION

Elizabeth Dickerson

Elizabeth Dickerson
Manager, Federal Regulatory
1801 Pennsylvania Avenue, NW
Washington, DC 20006
(202) 887-3821

January 31, 1994

STATEMENT OF VERIFICATION

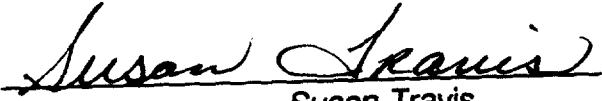
I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on January 31, 1994.

Elizabeth Dickerson

Elizabeth Dickerson
1801 Pennsylvania Avenue, NW
Washington, DC 20006
(202) 887-3821

CERTIFICATE OF SERVICE

I, Susan Travis, do hereby certify that copies of the foregoing MCI's Reply Comments were sent via first class mail, postage paid, to the following on this 31st day of January 1994:


Susan Travis

Hand Delivered**

Kathleen Levitz**
Chief, Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, DC 20554

Gregory J. Vogt**
Chief, Tariff Division
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, DC 20554

Dan Grosh**
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, DC 20554

Ann Stevens**
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, DC 20554

Judy Nitsche**
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, DC 20554

International Transcription Service**
Federal Communications Commission
Room 246
1919 M Street, N.W.
Washington, DC 20554

David L. Sieradzki**
Policy and Program Planning Division
Federal Communications Commission
1919 M Street, N.W., Room 544
Washington, DC 20554

Margot Smiley Humphrey
Koteen & Naftalin
1150 Connecticut Avenue, NW
Suite 1000
Washington, DC 20036

David Cosson
Steven E. Watkins
NTCA
2626 Pennsylvania Avenue, NW
Washington, DC 20037

James P. Tuthill
Betsy S. Granger
Pacific Bell/Nevada Bell
140 New Montgomery Street
Room 1525
San Francisco, CA 94105

James L. Wurtz
Pacific Bell/Nevada Bell
1275 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Lisa M. Zaina
OPASTCO
21 Dupont Circle, NW
Suite 700
Washington, DC 20036

Richard A. Askott
Lisa Leibow
NECA
100 South Jefferson road
Whippany, NJ 07981

Kathy L. Shobert
General Communication, Inc.
888 16th Street, N.W.
Suite 600
Washington, D.C. 20006

Leon M. Kestenbaum
Phyllis A. Whitten
1850 M Street, N.W., 11th Floor
Washington, D.C. 20036

Laurie J. Bennett
US West Communications, Inc.
1020 19th Street, N.W.
Suite 700
Washington, D.C. 20036

Richard McKenna, HQE03J36
GTE Service Corporation
P. O. Box 152092
Irving, TX 75015-2092

Gail L. Polivy
GTE Service Corporation
1850 M Street, N.W.
Suite 1200
Washington, D.C. 20036

Michael S. Pabian
Attorney for Ameritech
2000 West Ameritech Center Drive
Room 4H76
Hoffman Estates, IL 60196

Robert M. Lynch
Richard C. Hartgrove
Paul Walters
Attorneys for Southwestern Bell
Telephone Company
One Bell Center, Room 3520
St. Louis, MO 63101

John H. Vaughan
Vice President & General Manager
St. Joseph Telephone & Telegraph
Company
P. O. Box 220
Port St. Joe, FL 32456

C. R. Weinheimer
President
Kerrville Telephone Company
P. O. Box 1128
Kerrville, TX 78029-1128

Loyal L. Lay
General Manager
Peoples Mutual Telephone Co.
210 N. Broadway
P. O. Box 186
LaCygne, KS 66040-0186

Kitna Griggs
President
Lake Dallas Telephone Co., Inc.
450 Main Street
P. O. Box 2046
Lake Dallas, TX 75065-2046

Thomas E. Powell, Sr. Commissioner
Louisiana Public Service Commission
P. O. Box 928
Eunice, LA 70535

Laska Schoenfelder, Chairman
Ken Stofferahan, Vice-Chairman
James A. Burg, Commissioner
South Dakota Public Utilities
Commission
State Capitol
Pierre, SD 57501-5070

Ed Cole
General Manager
The Curtis Telephone Company
102 Center Avenue
P. O. Box 8
Curtis, NE 69025-0008

Howard Thomas
General Manager
Santa Rosa Telephone Cooperative
P. O. Box 2128
140 Main Street
Vernon, TX 76385-2128

Wayne E. Deeds
President
Benton Ridge Telephone Company
140 Main Street
Benton Ridge, OH 45816

Leroy Corya
General Manager
Southeastern Indiana Rural Telephone
Co-Op., Inc.
P. O. Box 7 - 14005 U. S. 50
Dillsboro, IN 47018-0007

Richard Ekleberry
Vice President - Manager
The Sycamore Telephone Co.
104 E. 7th Street
P. O. Box 98
Sycamoare, OH 44882-0098

William P. Sandman
Manager
Diller Telephone Co.
P. O. Box 218
Diller, NE 68342

Ernest J. Prosser
Vice President
Southeast Nebraska Telephone
Company
Falls City, NE 68355

Andrew D. Jader
Vice President - Administration
Nebraska Central Telephone Co.
P. O. Box 700
Gibbon, NE 68840

Larry C. Woods
Manager
K&M Telephone Company, Inc.
P. O. Box 187
Chambers, NE 68725-0187

Hugg Miller
President
The McClure Telephone Company
P. O. Box 26
McClure, OH 43534

Steve Richards
General Manager
S&T Telephone Coop Association
P. O. Box 99
Brewster, KS 67732

John West
President
Choctaw Telephone Company
Box 82
Halltown, MO 65664

Tim Humpert
Vice President/General Manager
Community Telephone Company, Inc.
P. O. Box 130
Windthorst, TX 76389

Edward L. Haymans
Assistant General Manager
P. O. Box 585
100 Ryon Avenue
Hinesville, GA 31313

William P. Rosicky
General Manager
Three River Telco
P. O. Box 66
4th & Adams
Lynch, NE 68746

S. M. Jensen
Vice President/General Manager
Great Plains Communications
1635 Front Street
P. O. Box 500
Blair, NE 68008

Dr. Robert Davis
Vice Chairman
Commonwealth of Kentucky
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602

Randall Raile
President
Wauneta Telephone Company
Telephone Building
Benkelman, NE 69021

Vivian Miller
Finance Officer
City of Faith
P. O. Box 368
206 Main Street
Faith, SD 57626

Lawrence P. Keller
Director, Federal Regulatory Services
Cathey Hutton & Associates, Inc.
3300 Holcomb Bridge Road
Suite 286
Norcross, GA 30092-3238

Jim Lowers
Vice President
Siskiyou Telephone
11918 Main Street
P. O. Box 705
Fort Jones, CA 96032-0705